

Message Text

PAGE 01 STATE 106094
ORIGIN AF-04

INFO OCT-01 ISO-00 MMO-01 SIG-01 /007 R

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DRAFTED BY:AF/EPS: DMCCLELLAN: SFB

APPROVED BY: AF/EPS: LMWHITE

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TO ALL AFRICAN DIPLOMATIC POSTS

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FROM US DELEGATION AFRICAN DEVELOPMENT BANK/FUND MEETING

E.O. 11652: N/A

TAGS: EAID EFIN AFDF AFDB AF EVR

SUBJECT: ASSESSMENT OF ANNUAL MEETING AFRICAN DEVELOPMENT
BANK/FUND, MAURITIUS, MAY 2-6, 1977

SUMMARY. JOINT ANNUAL MEETINGS OF BOARDS OF GOVERNORS OF AFRICAN
DEVELOPMENT BANK AND AFRICAN DEVELOPMENT FUND, HELD MAURITIUS
MAY 2 THROUGH MAY 6, 1977, WAS CHARACTERIZED BY BUSINESSLIKE AND
REALISTIC APPROACH TO TOPICS UNDER DISCUSSION AND NOTABLE ABSENCE
OF RHETORIC. MOST SIGNIFICANT ISSUE DISCUSSED THROUGHOUT SESSION
CONCERNED QUESTION OF NON-REGIONAL MEMBERSHIP IN BANK, CULMINATING
IN PASSAGE OF RESOLUTION DIRECTING BANK PRESIDENT TO EXAMINE
VARIOUS POSSIBLE MEANS OF INCREASING BANK RESOURCES, WHILE
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MAINTAINING THE REGIONAL CHARACTER OF THE BANK. SIGNIFICANT
DEVELOPMENTS PERTAINING TO U.S. PARTICIPATION IN FUND INCLUDED
APPOINTMENT OF A U.S. ALTERNATE DIRECTOR TO BOARD OF DIRECTORS
OF FUND AND BOARD OF GOVERNORS' RESOLUTION AUTHORIZING INCREASE
OF UP TO \$10 MILLION IN U.S. CONTRIBUTION TO THE FUND. U.S.
DELEGATION EFFECTED EXCHANGE OF LETTERS WITH FUND MANAGEMENT
WHEREBY MAINTENANCE OF VALUE OBLIGATION ON U.S. ADDITIONAL
SUBSCRIPTION WILL BE AVOIDED. END SUMMARY.

NON-REGIONAL MEMBERSHIP.

1. QUESTION OF NON REGIONAL MEMBERSHIP IN BANK WAS MOST PROMINENT ISSUE DISCUSSED THROUGHOUT THE SESSIONS. PRESIDENT OF THE BANK, KWAME FORDWOR INITIATED DISCUSSION OF ISSUE IN HIS KEYNOTE ADDRESS BY POINTING TO THE BANK'S PRESENT INABILITY TO RAISE ADEQUATE CAPITAL BY RELYING SOLELY ON SUBSCRIPTIONS OF AFRICAN MEMBERS AND PERIODIC BORROWINGS FROM OPEC AND OECD COUNTRIES. THIS THEME WAS PICKED UP IN NUMEROUS STATEMENTS OF AFRICAN GOVERNORS, WITH SENTIMENTS RANGING FROM LIBERIA'S ENTHUSIASTIC SUPPORT FOR IMMEDIATE NON-REGIONAL PARTICIPATION TO EXPRESSIONS LIMITED TO SUPPORT FOR PRINCIPLE OF INCLUDING THIS AS ONE SOURCE OF ADDITIONAL FUNDS IN THE CONTINUING STUDY OF BANK'S RESOURCE AVAILABILITIES. ON OTHER EXTREME, SEVERAL AFRICANS, LED BY GUINEA AND CONGO, OPPOSED ANY MOVE THAT WOULD LOOK TO NON-REGIONAL MEMBERSHIP IN THE BANK.

2. TONE OF DISCUSSIONS CONTRASTED MARKEDLY WITH DISCUSSION OF SAME ISSUE IN KINSHASA IN 1976. MOST DRAMATIC SHIFT IN POSITION OF ANY ONE COUNTRY WAS REGISTERED BY NIGERIA. IN KINSHASA, NIGERIA TOOK THE LEAD IN DEFEATING A PROPOSAL TO STUDY QUESTION OF NON-REGIONAL MEMBERSHIP. IN MAURITIUS, NIGERIA EXPRESSED WILLINGNESS TO REVIEW "WITH AN OPEN MIND," ANY PROPOSAL TO INCREASE EQUITY OF BANK. HOWEVER, NIGERIANS, AS DID VIRTUALLY EVERY AFRICAN ADDRESSING ISSUE, EXPRESSED STRONG DESIRE TO MAINTAIN ESSENTIALLY AFRICAN CHARACTER OF INSTITUTION.

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3. DISCUSSION OF NON-REGIONAL MEMBERSHIP QUESTION CULMINATED IN CONSIDERATION OF RESOLUTION WHICH WOULD HAVE INSTRUCTED THE PRESIDENT TO STUDY THE QUESTION OF RESOURCE MOBILIZATION WITH A VIEW TO EXAMINING, "ALL POSSIBILITIES, INCLUDING THE POSSIBLE OPENING OF THE BANK'S CAPITAL STOCK TO NON-REGIONAL STATES." IN ORDER TO ACHIEVE CONSENSUS, BOARD OF GOVERNORS FINALLY ADOPTED VERSION OF RESOLUTION DELETING SPECIFIC REFERENCE TO NON-REGIONALS. HOWEVER, FOLLOWING ADOPTION OF AMEMDED RESOLUTION, GOVERNOR OF IVORY COAST CLARIFIED THAT WORDING OF RESOLUTION IN NO WAY EXCLUDED CONSIDERATION OF NON-REGIONAL MEMBERSHIP IN THE BANK. THE CHAIR'S CONCURRENCE IN THIS INTERPRETATION MET WITH NO OBJECTION.

4. IN PRIVATE CONVERSATION, FORDWOR INFORMED AMBASSADOR BOLEN THAT IN FORSEEABLE FUTURE HE HOPES TO CALL A MEETING OF PROSPECTIVE NON-REGIONAL MEMBERS OF BANK TO DETERMINE (A) THEIR WILLINGNESS TO JOIN AND (B) THE SIZE OF THEIR CONTRIBUTIONS. EXACT FORMAT AND TIMING OF SUCH A MEETING REMAINS UNDEFINED.

COMMENTS ON WORLD ECONOMIC OUTLOOK/NORTH SOUTH DIALOGUE

5. THE SPEECHES OF MOST PARTICIPANTS OF THE CONFERENCE EITHER

AVOIDED A TOUR D'HORIZON OF THE WORLD ECONOMIC SCENE OR SIMPLY ALLUDED IN SOME FASHION TO ITS MANY PROBLEMS, (E.G. USUALLY BY PERFUNCTORY ENDORSEMENTS TO THE NEW INTERNATIONAL ECONOMIC ORDER), PREFERING INSTEAD TO CONCENTRATE THEIR REMARKS ON BUSINESS-LIKE ASSESSMENTS OF THE AFDB-AFDF MATTERS OR ON REGIONAL POLITICAL QUESTIONS. THERE WERE A FEW COUNTRIES, INCLUDING THE U.S., WHICH DID MAKE ASSESSMENTS OF THE WORLD ECONOMIC SCENE AND PRESENT VARIOUS VIEWPOINTS ON CURING THE WORLD'S ECONOMIC MALADIES.

6. THE OVERALL TONE BY AFRICAN STATES WAS SURPRISINGLY MODERATE AND NOT ATTEMPT WAS MADE BY THEM TO SINGLE OUT THE U.S. FOR LIMITED OFFICIAL USE
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CRITICISM. GENERALLY, THE AFRICAN COUNTRIES CALLED UPON INDUSTRIALIZED COUNTRIES TO DO MORE FOR DEVELOPING COUNTRIES, PARTICULARLY ON THE ISSUE OF COMMODITY PRICE STABILIZATION. IT WAS NOTABLE THAT WHILE MANY COUNTRIES CALLED FOR A REDUCTION IN WIDE PRICE FLUCTUATIONS OF COMMODITIES, RELATIVELY FEW CITED THE UNCTAD COMMON FUND PROPOSAL AS THE ONLY MECHANISM BY WHICH SUCH A GOAL MIGHT BE ACHIEVED. INDUSTRIALIZED COUNTRIES WERE ALSO CALLED UPON TO PROVIDE MORE AID, ALTHOUGH THE U.N.'S 7 PERCENT GNP OFFICIAL DEVELOPMENT ASSISTANCE TARGET WAS ONLY MENTIONED ONCE OR TWICE IN ALL THE AFRICAN STATEMENTS.

7. THE OPEC COUNTRIES RECEIVED SOME CRITICISM FROM AFRICAN COUNTRIES AS WELL, MOST NOTABLY BY THE KEYNOTE SPEAKERS, PRIME MINISTER RAMGOOLAM OF MAURITIUS AND AFDB-AFDF PRESIDENT KWAME FORDWOR. RAMGOOLAM COMPLAINED HOW LITTLE OF CAIRO CONFERENCE \$1 - \$1.5 BILLION HAD BEEN EARMARKED FOR AFDB-AFDF. FORDWOR SAID AT ONE POINT THAT IF ENERGY CONSUMPTION BY AFRICAN COUNTRIES CONTINUES AT PRESENT RATE MANY AFRICAN COUNTRIES "WILL GO BROKE."

8. MORE OUTSPOKEN THAN MOST ALL AFRICAN STATES WAS THE TOUR D'HORIZON ON NORTH/SOUTH ECONOMIC ISSUES GIVEN BY SWEDISH DELEGATION, MR. FRANK BELFRAGE (DEPUTY UNDERSECRETARY OF STATE, MINISTRY OF FOREIGN AFFAIRS). EMPHASIZING THAT HE WAS RELAYING THE VIEWS OF THE "NEW" SWEDISH GOVERNMENT, BELFRAGE LAUNCHED INTO WHAT AMOUNTED TO A DENUNCIATION OF INDUSTRIALIZED COUNTRIES' EFFORTS IN THE NORTH/SOUTH DIALOGUE. SELECTED PASSAGES FOLLOW:

BEGIN TEXT. THE NEW SWEDISH GOVERNMENT HAS EXPRESSED ITS FIRM SUPPORT FOR THE BASIC IDEAS UNDERLYING A NEW INTERNATIONAL ECONOMIC ORDER. THE WORK TOWARDS THE ESTABLISHMENT OF MORE EQUITABLE ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES MUST BE A CONTINUING PROCESS OF NEGOTIATIONS. BUT NEGOTIATIONS WHICH DO NOT LEAD TO CONCRETE STEPS COULD
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SOON LEAD TO A LOSS OF CONFIDENCE ON ALL HANDS. TANGIBLE RESULTS MUST NOW BE ACHIEVED. THE PROMISES HELD OUT AT THE 6TH AND 7TH SPECIAL SESSIONS OF THE UNITED NATIONS' GENERAL ASSEMBLY MUST NOW YIELD PROGRESS. THE CREDIBILITY OF THE RICH NATIONS IS AT STAKE.

THE PARIS CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC) IS NOW IN ITS FINAL STAGE AFTER ONE AND A HALF YEARS OF THOROUGH DELIBERATIONS. ANY PACKAGE AGREEMENT REACHED AT THE CIEC SHOULD, IN THE OPINION OF MY GOVERNMENT, INCLUDE FIRM UNDERTAKINGS ON THE PART OF THE INDUSTRIALIZED COUNTRIES TO INCREASE SYSTEMATICALLY AND ON A MULTI-YEAR BASIS THEIR DEVELOPMENT ASSISTANCE, WITH A VIEW TO REACH THE AGREED UN TARGET OF 0.7 PERCENT OF GNP. EFFECTIVE MEASURES TO ALLEVIATE THE OFFICIAL DEBT BURDEN OF THE POOREST COUNTRIES SHOULD ALSO BE UNDERTAKEN. FURTHERMORE WE WOULD LIKE TO SEE THE NORTH/SOUTH DIALOGUE IN PARIS ENDORSE FULLY THE INTEGRATED PROGRAMME FOR COMMODITIES AND RECOGNIZE THE ESTABLISHMENT OF A COMMOR FUND AS A JOINT POLICY OBJECTIVE. AS A COMPLEMENT TO PRICE STABILIZATION MEASURES, WE HOPE THAT AN AGREEMENT OF PRINCIPLE CAN BE REACHED AS TO THE SETTING UP OF A SYSTEM OF 'EXPORT EARNINGS' STABILIZATION OVER AND ABOVE THE EXISTING FACILITIES.

WE AGREE WITH THE PRESIDENT'S YEARLY REPORTS THAT MEASURES OF THIS KIND ARE OF VITAL IMPORTANCE NOT LEAST FOR THE AFRICAN COUNTRIES, MANY OF WHICH BELONG TO THE POOREST AND MOST SERIOUSLY AFFECTED COUNTRIES.

IN OUR OPINION, SUCH UNDERTAKINGS ON THE PART OF THE INDUSTRIALIZED COUNTRIES MUST, HOWEVER, BE COUPLED WITH CONSCIOUS NATIONAL POLICIES DESIGNED TO MEET THE BASIC NEEDS OF THE PEOPLE AND TACKLING THE CRUCIAL PROBLEM OF UNEMPLOYMENT IN THE DEVELOPING COUNTRIES.

THE NEW SWEDISH GOVERNMENT HAS ALSO DECLARED ITS INTENTIONS TO CONTINUE THE POLICY OF DIRECTING THE RESOURCES FOR DEVELOPMENT

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ASSISTANCE TO THE POOREST COUNTRIES AND TO THE POOREST PEOPLE WITHIN THESE COUNTRIES. SELF-RELIANCE AND ECONOMIC AND SOCIAL JUSTICE WILL CONTINUE TO BE GUIDING PRINCIPLES IN OUR BILATERAL PROGRAMMES AS WELL AS IN CHANNELLING RESOURCES THROUGH INTERNATIONAL DEVELOPMENT INSTITUTIONS. END TEXT.

BY CONTRAST OTHER NORDIC COUNTRIES TOOK A MUCH MORE BALANCED APPROACH. NORWAY: CRITICIZED PROGRESS ON N/S DIALOGUE AND ASKED FOR A MOVEMENT ON DEBT RELIEF, OFFICIAL DEVELOPMENT ASSIS-

TANCE, COMMODITIES AND ENDORSED COMMON FUND. HOWEVER, NOTED PROGRESS ON IDA V, IFAD, ETC. FINLAND (MORE POSITIVE, ALMOST UPBEAT) CITED IDA V, IFAD, ETC. AND LOOKED FOR MORE PROGRESS IN GENERAL.

U.S. ROLE

9. IN NUMEROUS PRIVATE CONVERSATIONS, AFRICANS EXPRESSED HIGH EXPECTATIONS CONCERNING FUTURE OF U.S. ROLE IN AFDF. DURING PLENARY SESSIONS, U.S. WAS REPEATEDLY WELCOMED WARMLY AS MEMBER OF FUND. U.S. STATEMENT, BY AMBASSADOR BOLEN, WAS GREETED AS POSITIVE AND FORCEFUL EXPRESSION OF U.S. INTENTIONS. A NUMBER OF DELEGATES ALSO WELCOMED PROSPECTS FOR U.S. ALTERNATE DIRECTOR PERMANENTLY RESIDING IN ABIDJAN. BOARD OF GOVERNORS OF FUND PASSED RESOLUTION AUTHORIZING ADDITIONAL U.S. CONTRIBUTION OF UP TO \$10 MILLION. (FOR TEXT, SEE PORT LOUIS 0478.) BOARD OF GOVERNORS ADOPTION OF THIS RESOLUTION TOGETHER WITH RESOLUTION AUTHORIZING SAUDI ADDITIONAL CONTRIBUTION (\$10 MILLION) GREETED WARMLY BY GOVERNORS. THIS ADDITIONAL CONTRIBUTION WILL BE PAID AFTER APPROPRIATIONS ARE OBTAINED AND WILL BRING TOTAL U.S. CONTRIBUTION TO FUND TO \$25 MILLION.

MAINTENANCE OF VALUE

10. REGARDING APPLICATION OF MAINTENANCE OF VALUE (MOV) OBLIGATION TO \$10 MILLION, U.S. DEL NEGOTIATED EXCHANGE OF LIMITED OFFICIAL USE
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NOTES IN WHICH U.S. AGREES TO PAY UP TO \$10 MILLION IN CASH, AFTER APPROPRIATIONS ARE OBTAINED. THE FUND AGREES TO CONVERT DOLLARS IMMEDIATELY INTO FOREIGN CURRENCY, THEREBY AVOIDING APPLICATION OF MOV TO U.S. CONTRIBUTION.

11. IN PRIVATE MEETING BETWEEN AMBASSADOR BOLEN AND PRESIDENT FORDWOR, BOLEN STRESSED IMPORTANCE OF ELIMINATION OF MOV AS CENTRAL ISSUE IN UPCOMING SECOND REPLENISHMENT NEGOTIATIONS. FORDWOR STATED THAT HE WOULD BE PREPARED TO GIVE UP MOV, PROVIDED THAT (A) THE REPLENISHMENT IS SUFFICIENTLY LARGE AND (B) THERE IS GENERAL AGREEMENT AMONG DONORS.

RESOURCE ALLOCATION

12. A NUMBER OF GOVERNORS COMMENTED ON BANK AND FUND RESOURCE ALLOCATION POLICIES. MAJOR CRITICISM OF BANK AND FUND WAS PRESENT CEILING OF 5 MILLION UNITS OF ACCOUNT (FUA EQUALS US \$1.11) FOR ANY SINGLE PROJECT. GOVERNORS ALSO CRITICIZED SLOW DISBURSEMENT RATE AND DECLINE IN ALLOCATION OF TOTAL BANK LOANS TO AGRICULTURAL SECTOR FROM 24 PERCENT IN 1973 TO 10 PERCENT IN 1976. OTHERS STRESSED NEED TO PROMOTE PROJECTS WHICH PROMOTE REGIONAL DEVELOPMENT. SOME PERCEIVED

AN INEQUITABLE DISTRIBUTION IN REGIONAL ALLOCATION OF LOANS
(1976: 19.5 PERCENT - EAST AFRICA, 19.9 PERCENT - NORTH
AFRICA, 20.1 PERCENT - CENTRAL AFRICAN AND 39.9 PERCENT - WEST
AFRICA.) PRESIDENT FORDWOR'S SUGGESTION THAT AGRICULTURE
SECTOR RECEIVE 33 PERCENT OF BANK RESOURCES DURING CURRENT
FIVE-YEAR 1977-81 LENDING PROGRAM MET WITH GENERAL APPROVAL.

MOBILIZATION OF RESOURCES

13. ANNOUNCEMENTS OF INTENTION TO INCREASE FINANCIAL ASSISTANCE
TO THE BANK/FUND WERE MADE BY SAUDIA ARABIA (\$10 MILLION
CONTRIBUTION TO FUND, THEREBY DOUBLING TOTAL CONTRIBUTION);
KUWAIT (ACCESSION TO FUND WITH \$16 MILLION INITIAL CONTRIBUTION,
\$10 MILLION PAYABLE IN 1977 AND \$6 MILLION IN 1978);
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NETHERLANDS (\$5 MILLION CONCESSIONAL LOAN TO BANK PROVIDED TWO
OTHER NON-REGIONALS FOLLOW SUIT); SWEDEN (\$4 MILLION
CONCESSIONAL LOAN TO BANK); AND GERMANY (BUNDESBANK PURCHASE
OF \$10 MILLION BANK BOND ISSUE); FUND GOVERNORS PASSED
RESOLUTION AUTHORIZING FRANCE TO JOIN FUND WITH AN INITIAL
SUBSCRIPTION OF UP TO 10 MILLION FUND UNITS OF ACCOUNT PAYABLE
OVER THREE YEARS. (FRANCE HOPES TO JOIN BY THE END OF THE
YEAR.) DURING COURSE OF MEETING, KUWAIT FUND AGREED TO PURCHASE
ON COMMERCIAL TERMS, SPECIAL AFDB BOND ISSUE EQUAL TO
APPROXIMATELY U.S. \$16 MILLION.

NEW AFRICAN MEMBERS IN AFDF

14. BANK GOVERNORS WELCOMED MEMBERSHIP OF SYECHELLES IN BANK.
MOST FRONT-LINE STATES (MOZAMBIQUE, ZAMBIA, AND TANZANIA)
CONDEMNED RACISM AND COLONIALISM AND EXPRESSED HOPE THAT
ZIMBABWE, NAMIBIA AND AZANIA (LIBERATED SOUTH AFRICA) WOULD SOON
BE MEMBERS.

REPLENISHMENT OF FUND RESOURCES

15. TIMING OF START OF NEGOTIATIONS FOR SECOND GENERAL
REPLENISHMENT OF FUND RESOURCES WAS ADDRESSED BY MANY DONOR
PARTICIPANTS IN THEIR PLENARY STATEMENTS, WITH MOST MEMBERS
STRESSING NEED FOR INCREASE IN FUND RESOURCES IN A TIMELY FASHIION.
HOWEVER, IN ADDITION T THE U.S., SEVERAL MEMBERS INCLUDING
CANADA, BRAZIL, FINLAND, ITALY, JAPAN AND SPAIN EXPRESSED STRONG
INTEREST IN HAVING FINDINGS OF RECENTLY ESTABLISHED REVIEW
COMMITTEE PRIOR TO COMMENCING FORMAL REPLENISHMENT NEGOTIATIONS.
IN PRIVATE CONVERSATION, FORDWOR STATED HIS PLANS WERE TO
BEGIN THE REPLENISHMENT NEGOTIATIONS IN NOVEMBER WHEN THE
INTERIM REPORT ON THE REVIEW COMMITTEE AND A PRICE WATERHOUSE
STUDY OF DISBURSEMENTS WOULD BE AVAILABLE.

ORGANIZATION OF CONSTUTUENCY

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16. U.S. REPS HELD SEVERAL LONG DISCUSSIONS WITH UK AND YUGOSLAV DELEGATIONS ON THE ORGANIZATION OF THE UK-US-YUGOSLAV CONSTITUENCY. YUGOSLAV GOVERNOR SLAVKO BAUM STRESSED GOY INTEREST IN GOOD COOPERATION AND ACTIVE YUGOSLAV PARTICIPATION IN CONSTITUENCY. HE NOTED IN THIS CONNECTION THAT GOY WOULD OPEN AN EMBASSY IN ABIDJAN IN OCTOBER OR NOVEMBER 1977. BAUM PROPOSED A ROTATION ARRANGEMENT UNDER WHICH COUNTRIES IN CONSTITUENCY WOULD SERVE AS DIRECTOR AND ALTERNATE DIRECTOR. BAUM WAS TOLD BY UK AND US REPS THAT THIS PROPOSAL WOULD BE REFERRED TO LONDON AND WASHINGTON FOR CONSIDERATION. AMBASSADOR BOLEN TOLD BOTH UK AND YUGOSLAV GOVERNORS THAT NEED FOR PERMANENT U.S. DIRECTORSHIP HAD BEEN CITED TO THE CONGRESS AS PARTIAL RATIONALE FOR INCREASED U.S. CONTRIBUTION TO THE FUND.

17. AFTER CONSULTING BANK/FUND BUREAU AND MEMBERS OTHER CONSTITUENCIES BAUM PROPOSED POSITION OF "TEMPORARY ALTERNATE DIRECTOR." IT WAS AGREED THAT DIRECTOR WRIGHT WOULD SEEK TO WORK OUT WITH FUND MANAGEMENT AN ARRANGEMENT UNDER WHICH YUGOSLAV WOULD BE DESIGNATED TO THAT POSITION.

18. A FORMAL LETTER FROM BRITISH DIRECTOR WRIGHT TO AFDF PRESIDENT FORDWORTH DESIGNATING U.S. (GAASERUD) AS ALTERNATE DIRECTOR WILL BE TRANSMITTED IN NEXT COUPLE WEEKS. GAASERUD WILL BE NAMED TO HOLD POSITION UNTIL PERMANENT RESIDENT U.S. ALTERNATE DIRECTOR APPOINTED SOMETIME IN NEXT COUPLE OF MONTHS.

POLICY IMPLICATIONS

19. FOLLOWING POLICY IMPLICATIONS CAN BE DRAWN FROM THE ABOVE ASSESSMENT OF ANNUAL MEETING:

(A) TO INSURE AN ADEQUATE LEVEL OF RESOURCES FOR THE FUND, THE ADMINISTRATION SHOULD SEEK APPROPRIATION OF FUNDS TO BE AUTHORIZED IN LEGISLATION CURRENTLY BEFORE CONGRESS FOR AN ADDITIONAL U.S. CONTRIBUTION TO THE FUND, BEGINNING IN FY 1979.

(B) THE ADMINISTRATION SHOULD PARTICIPATE IN THE FUND

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REPLENISHMENT DISCUSSIONS TO BE HELD IN NOVEMBER, AND SHOULD INVITE INTERESTED CONGRESSMEN TO ATTEND.

(C) ADMINISTRATION SHOULD ADDRESS ISSUES RAISED BY POSSIBLE PARTICIPATION OF U.S. IN THE PAID-IN AND CALLABLE CAPITAL OF THE BANK.

(D) THE UNITED STATES SHOULD CONTINUE TO PROVIDE TECHNICAL ASSISTANCE TO THE BANK/FUND AND ITS MEMBER COUNTRIES TO

IMPROVE OVERALL EFFICIENCY OF OPERATIONS AND TO HELP ACCELERATE
DISBURSEMENTS AND IMPORVE SECTORAL ALLOCATIONS, PARTICULARLY
TO AGRICULTURE. SPECIAL EMPHASIS SHOULD BE PLACED ON
TRAINING AND TECHNICAL ASSISTANCE TO IMPROVE PROJECT PREPARATION
IN RECIPIENT COUNTRIES.

(E) TO INSURE A POSITIVE RECEPTION FOR U.S. PROPOSAL TO
ELIMINATE MOV ON SECOND REPLENISHMENT, U.S. SHOULD CONSULT
WITH KEY DONOR COUNTRIES BEFORE NOVEMBER MEETING.

(F) SINCE BANK AND FUND WERE SET UP AS A MEANS OF PROMOTING
REGIONALISM, U.S. SHOULD CONSIDER SPECIFIC ACTION TO PROMOTE
THIS GOAL INCLUDING CO-FINANCING OF ROAD AND COMMUNICATION
PROJECTS.

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REGIONAL POLITICAL QUESTIONS. THERE WERE A FEW COUNTRIES, INCLUDING THE U.S., WHICH DID MAKE ASSESSMENTS OF THE WORLD ECONOMIC SCENE AND PRESENT VARIOUS VIEWPOINTS ON CURING THE WORLD'S ECONOMIC MALADIES.

6. THE OVERALL TONE BY AFRICAN STATES WAS SURPRISINGLY MODERATE AND NOT ATTEMPT WAS MADE BY THEM TO SINGLE OUT THE U.S. FOR CRITICISM. GENERALLY, THE AFRICAN COJNTRIES CALLED UPON INDUSTRIALIZED COUNTRIES TO DO MORE FOR DEVELOPING COUNTRIES, PARTICULARLY ON THE ISSUE OF COMMODITY PRICE STABILIZATION. IT WAS NOTABLE THAT WHILE MANY COUNTRIES CALLED FOR A REDUCTION IN WIDE PRICE FLUCTUATIONS OF COMMODITIES, RELATIVELY FEW CITED THE UNCTAD COMMON FUND PROPOSAL AS THE ONLY MECHANISM BY WHICH SUCH A GOAL MIGHT BE ACHIEVED. INDUSTRIALIZED COUNTRIES WERE ALSO CALLED UPON TO PROVIDE MORE AID, ALTHOUGH THE U.N.'S .7 PERCENT GNP OFFICIAL DEVELOPMENT ASSISTANCE TARGET WAS ONLY MENTIONED ONCE OR TWICE IN ALL THE AFRICAN STATEMENTS.

7. THE OPEC COUNTRIES RECEIVED SOME CRITICISM FROM AFRICAN

COUNTRIES AS WELL, MOST NOTABLY BY THE KEYNOTE SPEAKERS, PRIME MINISTER RAMGOOLAM OF MAURITIUS AND AFDB-AFDF PRESIDENT KWAME FORDWOR. RAMGOOLAM COMPLAINED HOW LITTLE OF CAIRO CONFERENCE \$1 - \$1.5 BILLION HAD BEEN EARMARKED FOR AFDB-AFDF. FORDWOR SAID AT ONE POINT THAT IF ENERGY CONSUMPTION BY AFRICAN COUNTRIES CONTINUES AT PRESENT RATE MANY AFRICAN COUNTRIES "WILL GO BROKE."

8. MORE OUTSPOKEN THAN MOST ALL AFRICAN STATES WAS THE TOUR D'HORIZON ON NORTH/SOUTH ECONOMIC ISSUES GIVEN BY SWEDISH DELEGATION, MR. FRANK BELFRAGE (DEPUTY UNDERSECRETARY OF STATE, MINISTRY OF FOREIGN AFFAIRS). EMPHASIZING THAT HE WAS RELAYING THE VIEWS OF THE "NEW" SWEDISH GOVERNMENT, BELFRAGE LAUNCHED INTO WHAT AMOUNTED TO A DENUNCIATION OF INDUSTRIALIZED COUNTRIES' EFFORTS IN THE NORTH/SOUTH DIALOGUE. SELECTED PASSAGES FOLLOW:
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BEGIN TEXT. THE NEW SWEDISH GOVERNMENT HAS EXPRESSED ITS FIRM SUPPORT FOR THE BASIC IDEAS UNDERLYING A NEW INTERNATIONAL ECONOMIC ORDER. THE WORK TOWARDS THE ESTABLISHMENT OF MORE EQUITABLE ECONOMIC RELATIONS BETWEEN DEVELOPED AND DEVELOPING COUNTRIES MUST BE A CONTINUING PROCESS OF NEGOTIATIONS. BUT NEGOTIATIONS WHICH DO NOT LEAD TO CONCRETE STEPS COULD SOON LEAD TO A LOSS OF CONFIDENCE ON ALL HANDS. TANGIBLE RESULTS MUST NOW BE ACHIEVED. THE PROMISES HELD OUT AT THE 6TH AND 7TH SPECIAL SESSIONS OF THE UNITED NATIONS' GENERAL ASSEMBLY MUST NOW YIELD PROGRESS. THE CREDIBILITY OF THE RICH NATIONS IS AT STAKE.

THE PARIS CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION (CIEC) IS NOW IN ITS FINAL STAGE AFTER ONE AND A HALF YEARS OF THOROUGH DELIBERATIONS. ANY PACKAGE AGREEMENT REACHED AT THE CIEC SHOULD, IN THE OPINION OF MY GOVERNMENT, INCLUDE FIRM UNDERTAKINGS ON THE PART OF THE INDUSTRIALIZED COUNTRIES TO INCREASE SYSTEMATICALLY AND ON A MULTI-YEAR BASIS THEIR DEVELOPMENT ASSISTANCE, WITH A VIEW TO REACH THE AGREED UN TARGET OF 0.7 PERCENT OF GNP. EFFECTIVE MEASURES TO ALLEVIATE THE OFFICIAL DEBT BURDEN OF THE POOREST COUNTRIES SHOULD ALSO BE UNDERTAKEN. FURTHERMORE WE WOULD LIKE TO SEE THE NORTH/SOUTH DIALOGUE IN PARIS ENDORSE FULLY THE INTEGRATED PROGRAMME FOR COMMODITIES AND RECOGNIZE THE ESTABLISHMENT OF A COMMOR FUND AS A JOINT POLICY OBJECTIVE. AS A COMPLEMENT TO PRICE STABILIZATION MEASURES, WE HOPE THAT AN AGREEMENT OF PRINCIPLE CAN BE REACHED AS TO THE SETTING UP OF A SYSTEM OF 'EXPORT EARNINGS' STABILIZATION OVER AND ABOVE THE EXISTING FACILITIES.

WE AGREE WITH THE PRESIDENT'S YEARLY REPORTS THAT MEASURES OF THIS KIND ARE OF VITAL IMPORTANCE NOT LEAST FOR THE AFRICAN COUNTRIES, MANY OF WHICH BELONG TO THE POOREST AND MOST SERIOUSLY AFFECTED COUNTRIES.

IN OUR OPINION, SUCH UNDERTAKINGS ON THE PART OF THE INDUSTRIALIZED
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COUNTRIES MUST, HOWEVER, BE COUPLED WITH CONSCIOUS NATIONAL
POLICIES DESIGNED TO MEET THE BASIC NEEDS OF THE PEOPLE AND
TACKLING THE CRUCIAL PROBLEM OF UNEMPLOYMENT IN THE DEVELOPING
COUNTRIES.

THE NEW SWEDISH GOVERNMENT HAS ALSO DECLARED ITS INTENTIONS TO
CONTINUE THE POLICY OF DIRECTING THE RESOURCES FOR DEVELOPMENT
ASSISTANCE TO THE POOREST COUNTRIES AND TO THE POOREST PEOPLE
WITHIN THESE COUNTRIES. SELF-RELIANCE AND ECONOMIC AND SOCIAL
JUSTICE WILL CONTINUE TO BE GUIDING PRINCIPLES IN OUR BILATERAL
PROGRAMMES AS WELL AS IN CHANNELLING RESOURCES THROUGH INTER-
NATIONAL DEVELOPMENT INSTITUTIONS. END TEXT.

BY CONTRAST OTHER NORDIC COUNTRIES TOOK A MUCH MORE BALANCED
APPROACH. NORWAY: CRITICIZED PROGRESS ON N/S DIALOGUE AND
ASKED FOR A MOVEMENT ON DEBT RELIEF, OFFICIAL DEVELOPMENT ASSIS-
TANCE, COMMODITIES AND ENDORSED COMMON FUND. HOWEVER, NOTED
PROGRESS ON IDA V, IFAD, ETC. FINLAND (MORE POSITIVE,
ALMOST UPBEAT) CITED IDA V, IFAD, ETC. AND LOOKED FOR MORE
PROGRESS IN GENERAL.

U.S. ROLE

9. IN NUMEROUS PRIVATE CONVERSATIONS, AFRICANS EXPRESSED HIGH
EXPECTATIONS CONCERNING FUTURE OF U.S. ROLE IN AFDF. DURING
PLENARY SESSIONS, U.S. WAS REPEATEDLY WELCOMED WARMLY AS MEMBER
OF FUND. U.S. STATEMENT, BY AMBASSADOR BOLEN, WAS GREETED
AS POSITIVE AND FORCEFUL EXPRESSION OF U.S. INTENTIONS. A
NUMBER OF DELEGATES ALSO WELCOMED PROSPECTS FOR U.S. ALTERNATE
DIRECTOR PERMANENTLY RESIDING IN ABIDJAN. BOARD OF GOVERNORS
OF FUND PASSED RESOLUTION AUTHORIZING ADDITIONAL U.S.
CONTRIBUTION OF UP TO \$10 MILLION. (FOR TEXT, SEE PORT LOUIS
0478.) BOARD OF GOVERNORS ADOPTION OF THIS RESOLUTION
TOGETHER WITH RESOLUTION AUTHORIZING SAUDI ADDITIONAL CONTRI-
BUTION (\$10 MILLION) GREETED WARMLY BY GOVERNORS. THIS
ADDITIONAL CONTRIBUTION WILL BE PAID AFTER APPROPRIATIONS ARE
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OBTAINED AND WILL BRING TOTAL U.S. CONTRIBUTION TO FUND TO
\$25 MILLION.

MAINTENANCE OF VALUE

10. REGARDING APPLICATION OF MAINTENANCE OF VALUE (MOV)

OBLIGATION TO \$10 MILLION, U.S. DEL NEGOTIATED EXCHANGE OF NOTES IN WHICH U.S. AGREES TO PAY UP TO \$10 MILLION IN CASH, AFTER APPROPRIATIONS ARE OBTAINED. THE FUND AGREES TO CONVERT DOLLARS IMMEDIATELY INTO FOREIGN CURRENCY, THEREBY AVOIDING APPLICATION OF MOV TO U.S. CONTRIBUTION.

11. IN PRIVATE MEETING BETWEEN AMBASSADOR BOLEN AND PRESIDENT FORDWOR, BOLEN STRESSED IMPORTANCE OF ELIMINATION OF MOV AS CENTRAL ISSUE IN UPCOMING SECOND REPLENISHMENT NEGOTIATIONS. FORDWOR STATED THAT HE WOULD BE PREPARED TO GIVE UP MOV, PROVIDED THAT (A) THE REPLENISHMENT IS SUFFICIENTLY LARGE AND (B) THERE IS GENERAL AGREEMENT AMONG DONORS.

RESOURCE ALLOCATION

12. A NUMBER OF GOVERNORS COMMENTED ON BANK AND FUND RESOURCE ALLOCATION POLICIES. MAJOR CRITICISM OF BANK AND FUND WAS PRESENT CEILING OF 5 MILLION UNITS OF ACCOUNT (FUA EQUALS US \$1.11) FOR ANY SINGLE PROJECT. GOVERNORS ALSO CRITICIZED SLOW DISBURSEMENT RATE AND DECLINE IN ALLOCATION OF TOTAL BANK LOANS TO AGRICULTURAL SECTOR FROM 24 PERCENT IN 1973 TO 10 PERCENT IN 1976. OTHERS STRESSED NEED TO PROMOTE PROJECTS WHICH PROMOTE REGIONAL DEVELOPMENT. SOME PERCEIVED AN INEQUITABLE DISTRIBUTION IN REGIONAL ALLOCATION OF LOANS (1976: 19.5 PERCENT - EAST AFRICA, 19.9 PERCENT - NORTH AFRICA, 20.1 PERCENT - CENTRAL AFRICAN AND 39.9 PERCENT - WEST AFRICA.) PRESIDENT FORDWOR'S SUGGESTION THAT AGRICULTURE SECTOR RECEIVE 33 PERCENT OF BANK RESOURCES DURING CURRENT FIVE-YEAR 1977-81 LENDING PROGRAM MET WITH GENERAL APPROVAL.

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MOBILIZATION OF RESOURCES

13. ANNOUNCEMENTS OF INTENTION TO INCREASE FINANCIAL ASSISTANCE TO THE BANK/FUND WERE MADE BY SAUDIA ARABIA (\$10 MILLION CONTRIBUTION TO FUND, THEREBY DOUBLING TOTAL CONTRIBUTION); KUWAIT (ACCESSION TO FUND WITH \$16 MILLION INITIAL CONTRIBUTION, \$10 MILLION PAYABLE IN 1977 AND \$6 MILLION IN 1978); NETHERLANDS (\$5 MILLION CONCESSIONAL LOAN TO BANK PROVIDED TWO OTHER NON-REGIONALS FOLLOW SUIT); SWEDEN (\$4 MILLION CONCESSIONAL LOAN TO BANK); AND GERMANY (BUNDESBANK PURCHASE OF \$10 MILLION BANK BOND ISSUE); FUND GOVERNORS PASSED RESOLUTION AUTHORIZING FRANCE TO JOIN FUND WITH AN INITIAL SUBSCRIPTION OF UP TO 10 MILLION FUND UNITS OF ACCOUNT PAYABLE OVER THREE YEARS. (FRANCE HOPES TO JOIN BY THE END OF THE YEAR.) DURING COURSE OF MEETING, KUWAIT FUND AGREED TO PURCHASE ON COMMERCIAL TERMS, SPECIAL AFDB BOND ISSUE EQUAL TO APPROXIMATELY U.S. \$16 MILLION.

NEW AFRICAN MEMBERS IN AFDF

14. BANK GOVERNORS WELCOMED MEMBERSHIP OF SYECHELLES IN BANK. MOST FRONT-LINE STATES (MOZAMBIQUE, ZAMBIA, AND TANZANIA) CONDEMNED RACISM AND COLONIALISM AND EXPRESSED HOPE THAT ZIMBABWE, NAMIBIA AND AZANIA (LIBERATED SOUTH AFRICA) WOULD SOON BE MEMBERS.

REPLENISHMENT OF FUND RESOURCES

15. TIMING OF START OF NEGOTIATIONS FOR SECOND GENERAL REPLENISHMENT OF FUND RESOURCES WAS ADDRESSED BY MANY DONOR PARTICIPANTS IN THEIR PLENARY STATEMENTS, WITH MOST MEMBERS STRESSING NEED FOR INCREASE IN FUND RESOURCES IN A TIMELY FASHIION. HOWEVER, IN ADDITION T THE U.S., SEVERAL MEMBERS INCLUDING CANADA, BRAZIL, FINLAND, ITALY, JAPAN AND SPAIN EXPRESSED STRONG INTEREST IN HAVING FINDINGS OF RECENTLY ESTABLISHED REVIEW COMMITTEE PRIOR TO COMMENCING FORMAL REPLENISHMENT NEGOTIATIONS.

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IN PRIVATE CONVERSATION, FORDWOR STATED HIS PLANS WERE TO BEGIN THE REPLENISHMENT NEGOTIATIONS IN NOVEMBER WHEN THE INTERIM REPORT ON THE REVIEW COMMITTEE AND A PRICE WATERHOUSE STUDY OF DISBURSEMENTS WOULD BE AVAILABLE.

ORGANIZATION OF CONSTTUENCY

16. U.S. REPS HELD SEVERAL LONG DISCUSSIONS WITH UK AND YUGOSLAV DELEGATIONS ON THE ORGANIZATION OF THE UK-US-YUGOSLAV CONSTITUENCY. YUGOSLAV GOVERNOR SLAVKO BAUM STRESSED GOY INTEREST IN GOOD COOPERATION AND ACTIVE YUGOSLAV PARTICIPATION IN CONSTITUENCY. HE NOTED IN THIS CONNECTION THAT GOY WOULD OPEN AN EMBASSY IN ABIDJAN IN OCTOBER OR NOVEMBER 1977. BAUM PROPOSED A ROTATION ARRANGEMENT UNDER WHICH COUNTRIES IN CONSTITUENCY WOULD SERVE AS DIRECTOR AND ALTERNATE DIRECTOR. BAUM WAS TOLD BY UK AND US REPS THAT THIS PROPOSAL WOULD BE REFERRED TO LONDON AND WASHINGTON FOR CONSIDERATION. AMBASSADOR BOLEN TOLD BOTH UK AND YUGOSLAV GOVERNORS THAT NEED FOR PERMANENT U.S. DIRECTORSHIP HAD BEEN CITED TO THE CONGRESS AS PARTIAL RATIONALE FOR INCREASED U.S. CONTRIBUTION TO THE FUND.

17. AFTER CONSULTING BANK/FUND BUREAU AND MEMBERS OTHER CONSTITUENCIES BAUM PROPOSED POSITION OF "TEMPORARY ALTERNATE DIRECTOR." IT WAS AGREED THAT DIRECTOR WRIGHT WOULD SEEK TO WORK OUT WITH FUND MANAGEMENT AN ARRANGEMENT UNDER WHICH YUGOSLAV WOULD BE DESIGNATED TO THAT POSITION.

18.A FORMAL LETTER FROM BRITISH DIRECTOR WRIGHT TO AFDF PRESIDENT FORDWOR DESIGNATING U.S. (GAASERUD) AS ALTERNATE DIRECTOR WILL BE TRANSMITTED IN NEXT COUPLE WEEKS. GAASERUD WILL BE NAMED TO HOLD POSITION UNTIL PERMANENT RESIDENT U.S. ALTERNATE DIRECTOR APPOINTED SOMETIME IN NEXT COUPLE OF MONTHS.

POLICY IMPLICATIONS

19. FOLLOWING POLICY IMPLICATIONS CAN BE DRAWN FROM THE ABOVE
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ASSESSMENT OF ANNUAL MEETING:

(A) TO INSURE AN ADEQUATE LEVEL OF RESOURCES FOR THE FUND, THE
ADMINISTRATION SHOULD SEEK APPROPRIATION OF FUNDS TO BE
AUTHORIZED IN LEGISLATION CURRENTLY BEFORE CONGRESS FOR AN
ADDITIONAL U.S. CONTRIBUTION TO THE FUND, BEGINNING IN FY 1979.

(B) THE ADMINISTRATION SHOULD PARTICIPATE IN THE FUND
REPLENISHMENT DISCUSSIONS TO BE HELD IN NOVEMBER, AND SHOULD
INVITE INTERESTED CONGRESSMEN TO ATTEND.

(C) ADMINISTRATION SHOULD ADDRESS ISSUES RAISED BY POSSIBLE
PARTICIPATION OF U.S. IN THE PAID-IN AND CALLABLE CAPITAL OF
THE BANK.

(D) THE UNITED STATES SHOULD CONTINUE TO PROVIDE TECHNICAL
ASSISTANCE TO THE BANK/FUND AND ITS MEMBER COUNTRIES TO
IMPROVE OVERALL EFFICIENCY OF OPERATIONS AND TO HELP ACCELERATE
DISBURSEMENTS AND IMPROVE SECTORAL ALLOCATIONS, PARTICULARLY
TO AGRICULTURE. SPECIAL EMPHASIS SHOULD BE PLACED ON
TRAINING AND TECHNICAL ASSISTANCE TO IMPROVE PROJECT PREPARATION
IN RECIPIENT COUNTRIES.

(E) TO INSURE A POSITIVE RECEPTION FOR U.S. PROPOSAL TO
ELIMINATE MOV ON SECOND REPLENISHMENT, U.S. SHOULD CONSULT
WITH KEY DONOR COUNTRIES BEFORE NOVEMBER MEETING.

(F) SINCE BANK AND FUND WERE SET UP AS A MEANS OF PROMOTING
REGIONALISM, U.S. SHOULD CONSIDER SPECIFIC ACTION TO PROMOTE
THIS GOAL INCLUDING CO-FINANCING OF ROAD AND COMMUNICATION
PROJECTS.

BROWN UNQUOTE CHRISTOPHER.

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Copy: SINGLE
Sent Date: 10-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE106094
Document Source: ADS
Document Unique ID: 00
Drafter: DMCCLELLAN: SFB
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D770165-0378
Format: TEL
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ISecure: 1
Legacy Key: link1977/newtext/t197705110/baaevwp.tel
Line Count: 796
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: c6a86088-c288-dd11-92da-001cc4696bcc
Office: ORIGIN AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 15
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
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Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 26-Jan-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2345307
Secure: OPEN
Status: NATIVE
Subject: ASSESSMENT OF ANNUAL MEETING AFRICAN DEVELOPMENT BANK/FUND, MAURITIUS, MAY 2-6, 1977
TAGS: EAID, EFIN, OCON, XA, MP, AFDB, AFDF
To: ALL AFRICAN DIPLOMATIC POSTS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/c6a86088-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009